Lesedi Local Municipality
Annual Financial Statements
for the year ended 30 June 2018
Auditor General of South Africa

General Information

Legal form of entity	The entity functions as a local municipality, established under paragraph 151 of the Constitution of the Republic of South Africa.
Nature of business and principal activities	Lesedi Local Municipality is a South African Categor B Municipality(Local Municipality) as defined by the Municipal Structures Act (No 117 of 1998). The municipality's operations are governed by : -Municipal Finance Management Act (No 56 of 2003) -Municipal Structures Act (No 117of 1998) -Municipal Systems Act (No 32of 2000) and various other acts and regulations
Mayoral committee	
Executive Mayor	Cllr L F Maloka
Councillors	Mr M N R Nkosi (Speaker)
	Mr T S Moremi, MMC Community Services
	Ms K M Rakitla, MMC Corporate Services
	Mr T Motsepe,MMC LED & Planning
	Mr M P Mtshonyane, Chief Whip,Ward 1
	Mrs P R Mchunu, Ward 2
	Mrs T E Ramothibe, MMC Finance,Ward 3
	Ms E Magazi, Ward 4
	Mr T Gama, Ward 5
	Ms T Mofokeng, Ward 6
	Ms Z Twala, Ward 7
	Mrs M A Mulder, Ward 8
	Mr G Holtzhausen, Ward 9
	Mr S Paul, Ward 10
	Ms M Motsepe, MMC Infrastructure,Ward 11
	Mr S Mnyakeni, Ward 12
	Mr M Lukhele, Ward 13
Grading of local authority	3
Chief Finance Officer (CFO)	T P Mpele
Accounting Officer	G Thimane
Registered office	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
Business address	Civic Centre C/o HF Verwoerd and Louw Street Heidelberg 1441
Postal address	PO Box 201 Heidelberg 1438
Bankers	ABSA Bank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 7 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

Accounting Officer
Designation

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference (Section 166(4) (b). During the current year, three number of meetings were held.

Name of member	Number of meetings attended
Adv M Mochatsi (Chairperson - Term expired 31/12/2017)	2
Mr M Dhladhla (Term expired 31/12/2017)	2
Mr S L Mofokeng (Term expired 31/12/2017)	2
Mr F Makaula (Resigned 05/07/2017)	-
-	-
Mr N Swama (Chairperson Appointed 29/03/2018)	-
Mr B Kgomo (Appointed 29/03/2018 - Resigned on 01/08/2018)	1
Mr S L Mofokeng (Deputy Chairpers on Appointed 29/03/2018)	1
Mrs H Masedi (Appointed 29/03/2018)	1
Mrs M A F Moja (Appointed 29/03/2018)	-

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Audit Committee Report

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date:

Report of the Auditor General

To the Provincial Legislature of Lesedi Local Municipality

Auditor General of South Africa

Partner's name
Additional description
Additional description

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2018.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Notes	2018	2017 Restated*
Assets			
Current Assets			
Inventories	8	4 921 940	3 570 618
Receivables from exchange transactions	9	2 495 099	1 633 198
Receivables from non-exchange transactions	10	12 346 454	7 377 436
Trading service and customer service debtors	12	122 135 791	111 177 126
Cash and cash equivalents	13	47 306 742	11 314 951
		189 206 026	**135 073 329**
Non-Current Assets			
Investment property	3	193 261 180	199 393 952
Property, plant and equipment	4	644 785 821	614 830 779
Intangible assets	5	3 276 876	3 375 823
Heritage assets	6	4 662 664	4 662 664
		845 986 541	**822 263 218**
Non-Current Assets		845 986 541	822 263 218
Current Assets		189 206 026	135 073 329
Total Assets		**1 035 192 567**	**957 336 547**
Liabilities			
Current Liabilities			
Financial liabilities	15	4 010 414	3 671 767
Trade and other payables from exchange transactions	17	100 735 747	90 928 031
VAT payable	18	48 544 771	42 760 583
Consumer deposits	19	10 740 910	10 740 910
Transfers and subsidies payable	14	11 841 194	1 083 921
Provisions	16	12 092 081	16 978 911
		187 965 117	**166 164 123**
Non-Current Liabilities			
Financial liabilities	15	50 955 308	54 965 721
Employee benefit obligation	7	24 229 597	52 549 000
Provisions	16	8 997 105	8 739 581
		84 182 010	**116 254 302**
Non-Current Liabilities		84 182 010	116 254 302
Current Liabilities		187 965 117	166 164 123
Total Liabilities		**272 147 127**	**282 418 425**
Assets		1 035 192 567	957 336 547
Liabilities		(272 147 127)	(282 418 425)
Net Assets		**763 045 440**	**674 918 122**
Accumulated surplus		763 045 432	674 918 116

* See Note 45

Statement of Financial Performance

Figures in Rand	Notes	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	424 388 208	437 756 801
Rental of facilities and equipment	22	5 220 542	4 779 828
Licences and permits		42 026	64 822
Administration and management fees received		2 649 920	1 705 799
Recoveries		61 626	3 227 234
Other income	24	230 556	490 508
Interest received	25	26 041 396	15 178 827
Actuarial gains		32 645 000	6 980 000
Total revenue from exchange transactions		**491 279 274**	**470 183 819**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	106 472 601	96 106 256
Transfer revenue			
Government grants & subsidies	27	185 266 541	146 878 500
Public contributions and donations		7 174 127	-
Fines, Penalties and Forfeits		49 862 407	37 383 845
Total revenue from non-exchange transactions		**348 775 676**	**280 368 601**
		491 279 274	470 183 819
		348 775 676	280 368 601
Total revenue	20	**840 054 950**	**750 552 420**
Expenditure			
Employee related costs	28	(163 916 238)	(157 225 740)
Remuneration of councillors	29	(10 666 065)	(10 023 890)
Depreciation and amortisation	30	(37 923 638)	(36 535 435)
Impairment loss/ Reversal of impairments	31	(1 168 288)	-
Finance costs	32	(10 716 156)	(11 261 531)
Lease rentals on operating lease		(981 266)	(1 330 415)
Debt Impairment	33	(144 276 592)	(139 242 477)
Bulk purchases	34	(271 447 209)	(267 204 549)
Contracted services	35	(67 666 197)	(76 151 915)
Transfers and Subsidies		-	(4 969 885)
Loss on disposal of assets and liabilities		(4 579 456)	(239 748)
Inventories losses/write-downs		(903)	-
General Expenses	36	(39 808 002)	(38 260 682)
Total expenditure		**(753 150 010)**	**(742 446 267)**
		-	-
Total revenue		840 054 950	750 552 420
Total expenditure		(753 150 010)	(742 446 267)
Operating surplus/deficit		-	-
Surplus before taxation		86 904 940	8 106 153
Taxation		-	-
Surplus for the year		**86 904 940**	**8 106 153**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	658 422 179	658 422 179
Adjustments		
Correction of errors	8 389 784	8 389 784
Balance at 01 July 2016 as restated*	**666 811 963**	**666 811 963**
Changes in net assets		
Surplus for the year	8 106 153	8 106 153
Total changes	8 106 153	8 106 153
Restated* Balance at 01 July 2017	**676 140 492**	**676 140 492**
Changes in net assets		
Surplus for the year	86 904 940	86 904 940
Total changes	86 904 940	86 904 940
Balance at 30 June 2018	**763 045 432**	**763 045 432**

Note(s)

* See Note 45

Cash Flow Statement

Figures in Rand	Notes	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Property rates		98 409 909	88 477 826
Sale of goods and services		393 026 018	384 860 200
Grants		194 094 304	141 676 560
Interest income		26 041 396	15 178 827
		711 571 627	630 193 413
Payments			
Employee costs		(179 656 430)	(165 350 303)
Suppliers		(421 177 734)	(425 265 073)
Finance costs		(10 716 156)	(11 261 531)
Finance costs - non cash		5 459 897	5 647 369
		(606 090 423)	(596 229 538)
Total receipts		711 571 627	630 193 413
Total payments		(606 090 423)	(596 229 538)
Net cash flows from operating activities	40	**105 481 204**	**33 963 875**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(59 955 624)	(34 574 662)
Proceeds from sale of property, plant and equipment	4	(1 813 532)	(157 702)
Purchase of investment property	3	(5 596 140)	-
Purchase of other intangible assets	5	(265 928)	-
Proceeds from sale of heritage assets	6	1 813 532	157 702
Net cash flows from investing activities		**(65 817 692)**	**(34 574 662)**
Cash flows from financing activities			
Repayment of other financial liabilities		(3 671 766)	(3 356 578)
Net cash flows from financing activities		**(3 671 766)**	**(3 356 578)**
Net increase/(decrease) in cash and cash equivalents		**35 991 746**	**(3 967 365)**
Cash and cash equivalents at the beginning of the year		11 314 951	15 282 318
Cash and cash equivalents at the end of the year	13	**47 306 697**	**11 314 953**

* See Note 45

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	454 228 285	(1 492 431)	**452 735 854**	424 388 208	**(28 347 646)**	Note 57(1)
Rental of facilities and equipment	4 841 660	(42 872)	**4 798 788**	5 220 542	**421 754**	Note 57 (2)
Interest received (trading)	11 965 938	7 767 928	**19 733 866**	26 041 396	**6 307 530**	Note 57(3)
Licences and permits	60 000	(35 000)	**25 000**	42 026	**17 026**	
Other income	1 216 085	1 583 115	**2 799 200**	2 942 102	**142 902**	
Total revenue from exchange transactions	**472 311 968**	**7 780 740**	**480 092 708**	**458 634 274**	**(21 458 434)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	104 446 035	266 614	**104 712 649**	106 472 601	**1 759 952**	Note 57(4)
Transfer revenue						
Government grants & subsidies	203 978 573	(2 185 000)	**201 793 573**	185 266 541	**(16 527 032)**	Note 57 (5)
Public contributions and donations	-	-	**-**	7 174 127	**7 174 127**	
Fines, Penalties and Forfeits	45 902 000	18 000	**45 920 000**	49 862 407	**3 942 407**	
Total revenue from non-exchange transactions	**354 326 608**	**(1 900 386)**	**352 426 222**	**348 775 676**	**(3 650 546)**	
'Total revenue from exchange transactions'	472 311 968	7 780 740	**480 092 708**	458 634 274	**(21 458 434)**	
'Total revenue from non-exchange transactions'	354 326 608	(1 900 386)	**352 426 222**	348 775 676	**(3 650 546)**	
Total revenue	**826 638 576**	**5 880 354**	**832 518 930**	**807 409 950**	**(25 108 980)**	
Expenditure						
Personnel	(160 142 930)	(13 601 159)	**(173 744 089)**	(163 916 238)	**9 827 851**	
Remuneration of councillors	(10 169 644)	(520 910)	**(10 690 554)**	(10 666 065)	**24 489**	Note 57(6)
Depreciation and amortisation	(41 742 207)	-	**(41 742 207)**	(37 923 638)	**3 818 569**	Note 57(7)
Finance costs	(10 052 633)	3 369	**(10 049 264)**	(10 716 156)	**(666 892)**	Note 57(8)
Debt Impairment	(100 372 557)	(5 983 073)	**(106 355 630)**	(144 276 592)	**(37 920 962)**	Note 57(9)
Bulk purchases	(283 672 262)	10 498 735	**(273 173 527)**	(271 447 209)	**1 726 318**	Note 57(10)
Contracted Services	(790 000)	(71 610 649)	**(72 400 649)**	(67 666 197)	**4 734 452**	
Other Expenditure	(99 246 913)	67 829 175	**(31 417 738)**	(31 700 860)	**(283 122)**	Note 57(11)
Other Materials	(24 797 357)	8 317 801	**(16 479 556)**	(10 256 696)	**6 222 860**	
Total expenditure	**(730 986 503)**	**(5 066 711)**	**(736 053 214)**	**(748 569 651)**	**(12 516 437)**	
	826 638 576	5 880 354	**832 518 930**	807 409 950	**(25 108 980)**	
	(730 986 503)	(5 066 711)	**(736 053 214)**	(748 569 651)	**(12 516 437)**	
Operating surplus	**95 652 073**	**813 643**	**96 465 716**	**58 840 299**	**(37 625 417)**	
Loss on disposal of assets and liabilities	-	-	**-**	(4 579 456)	**(4 579 456)**	
Actuarial gains/losses	-	-	**-**	32 645 000	**32 645 000**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Inventories losses/write-downs	-	-	**-**	(903)	**(903)**	
	-	**-**	**-**	**28 064 641**	**28 064 641**	
Deficit before taxation	95 652 073	813 643	**96 465 716**	86 904 940	**(9 560 776)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**95 652 073**	**813 643**	**96 465 716**	**86 904 940**	**(9 560 776)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 231 941	-	**3 231 941**	4 921 940	**1 689 999**	
Receivables from exchange transactions	4 355 439	-	**4 355 439**	2 495 099	**(1 860 340)**	
Receivables from non-exchange transactions	7 958 037	-	**7 958 037**	12 346 454	**4 388 417**	
Consumer debtors	133 974 717	-	**133 974 717**	122 135 791	**(11 838 926)**	
Cash and cash equivalents	9 665 789	(638 636)	**9 027 153**	47 306 742	**38 279 589**	
	159 185 923	**(638 636)**	**158 547 287**	**189 206 026**	**30 658 739**	
Non-Current Assets						
Investment property	182 217 984	-	**182 217 984**	193 261 180	**11 043 196**	
Property, plant and equipment	691 980 778	(4 004 000)	**687 976 778**	644 785 821	**(43 190 957)**	
Intangible assets	2 384 564	-	**2 384 564**	3 276 876	**892 312**	
Heritage assets	-	-	**-**	4 662 664	**4 662 664**	
	876 583 326	**(4 004 000)**	**872 579 326**	**845 986 541**	**(26 592 785)**	
Non-Current Assets	159 185 923	(638 636)	**158 547 287**	189 206 026	**30 658 739**	
Current Assets	876 583 326	(4 004 000)	**872 579 326**	845 986 541	**(26 592 785)**	
Total Assets	**1 035 769 249**	**(4 642 636)**	**1 031 126 613**	**1 035 192 567**	**4 065 954**	
Liabilities						
Current Liabilities						
Other financial liabilities	3 371 767	-	**3 371 767**	4 010 414	**638 647**	
Payables from exchange transactions	124 407 022	-	**124 407 022**	100 735 747	**(23 671 275)**	
VAT payable	-	-	**-**	48 544 771	**48 544 771**	
Consumer deposits	10 690 632	-	**10 690 632**	10 740 910	**50 278**	
Unspent conditional grants and receipts	-	-	**-**	11 841 194	**11 841 194**	
Provisions	82 249 231	(1 465 000)	**80 784 231**	12 092 081	**(68 692 150)**	
	220 718 652	**(1 465 000)**	**219 253 652**	**187 965 117**	**(31 288 535)**	
Non-Current Liabilities						
Other financial liabilities	51 893 955	-	**51 893 955**	50 955 308	**(938 647)**	
Employee benefit obligation	-	-	**-**	24 229 597	**24 229 597**	
Provisions	13 361 098	-	**13 361 098**	8 997 105	**(4 363 993)**	
	65 255 053	**-**	**65 255 053**	**84 182 010**	**18 926 957**	
	220 718 652	(1 465 000)	**219 253 652**	187 965 117	**(31 288 535)**	
	65 255 053	-	**65 255 053**	84 182 010	**18 926 957**	
	-	-	**-**	-	**-**	
Total Liabilities	**285 973 705**	**(1 465 000)**	**284 508 705**	**272 147 127**	**(12 361 578)**	
Assets	1 035 769 249	(4 642 636)	**1 031 126 613**	1 035 192 567	**4 065 954**	
Liabilities	(285 973 705)	1 465 000	**(284 508 705)**	(272 147 127)	**12 361 578**	
Net Assets	**749 795 544**	**(3 177 636)**	**746 617 908**	**763 045 440**	**16 427 532**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	749 795 544	(3 177 636)	**746 617 908**	763 045 440	**16 427 532**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	77 633 582	965 684	**78 599 266**	88 477 826	**9 878 560**	
Sale of goods and services	377 035 591	8 632 129	**385 667 720**	384 860 200	**(807 520)**	
Grants	143 979 538	(1 434 138)	**142 545 400**	141 676 560	**(868 840)**	
	598 648 711	**8 163 675**	**606 812 386**	**615 014 586**	**8 202 200**	
Payments						
Employee costs	(164 656 844)	(487 061)	**(165 143 905)**	(167 188 834)	**(2 044 929)**	
Suppliers	(382 359 629)	(16 171 359)	**(398 530 988)**	(418 091 903)	**(19 560 915)**	
	(547 016 473)	**(16 658 420)**	**(563 674 893)**	**(585 280 737)**	**(21 605 844)**	
Total receipts	598 648 711	8 163 675	**606 812 386**	615 014 586	**8 202 200**	
Total payments	(547 016 473)	(16 658 420)	**(563 674 893)**	(585 280 737)	**(21 605 844)**	
Net cash flows from operating activities	**51 632 238**	**(8 494 745)**	**43 137 493**	**29 733 849**	**(13 403 644)**	
Net increase/(decrease) in cash and cash equivalents	51 632 238	(8 494 745)	**43 137 493**	29 733 849	**(13 403 644)**	
Cash and cash equivalents at the end of the year	**51 632 238**	**(8 494 745)**	**43 137 493**	**29 733 849**	**(13 403 644)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	104 446 035	266 614	104 712 649	-		104 712 649	106 472 601		1 759 952	102 %	102 %
Service charges	454 220 785	(1 492 431)	452 728 354	-		452 728 354	424 388 208		(28 340 146)	94 %	93 %
Investment revenue	11 965 938	7 767 926	19 733 864	-		19 733 864	26 041 396		6 307 532	132 %	218 %
Transfers recognised - operational	121 013 573	(1 215 000)	119 798 573	-		119 798 573	117 923 815		(1 874 758)	98 %	97 %
Other own revenue	52 027 245	1 523 243	53 550 488	-		53 550 488	90 712 077		37 161 589	169 %	174 %
Total revenue (excluding capital transfers and contributions)	**743 673 576**	**6 850 352**	**750 523 928**	**-**		**750 523 928**	**765 538 097**		**15 014 169**	**102 %**	**103 %**
Employee costs	(160 142 930)	(13 601 159)	(173 744 089)	-	-	(173 744 089)	(163 916 238)	-	9 827 851	94 %	102 %
Remuneration of councillors	(10 169 644)	520 910	(9 648 734)	-	-	(9 648 734)	(10 666 065)	-	(1 017 331)	111 %	105 %
Debt impairment	(100 372 557)	(5 983 073)	(106 355 630)			(106 355 630)	(144 276 592)	-	(37 920 962)	136 %	144 %
Depreciation and asset impairment	(41 742 207)	-	(41 742 207)			(41 742 207)	(39 091 926)	-	2 650 281	94 %	94 %
Finance charges	(10 052 633)	3 369	(10 049 264)	-	-	(10 049 264)	(10 716 156)	-	(666 892)	107 %	107 %
Materials and bulk purchases	(308 469 619)	18 816 543	(289 653 076)	-	154 000	(289 499 076)	(271 447 209)	-	18 051 867	94 %	88 %
Other expenditure	(100 036 913)	(4 823 294)	(104 860 207)	-	(154 000)	(105 014 207)	(113 035 824)	-	(8 021 617)	108 %	113 %
Total expenditure	**(730 986 503)**	**(5 066 704)**	**(736 053 207)**	**-**	**-**	**(736 053 207)**	**(753 150 010)**	**-**	**(17 096 803)**	**102 %**	**103 %**

Lesedi Local Municipality

(Registration number GT423)
Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total revenue (excluding capital transfers and contributions)	743 673 576	6 850 352	750 523 928	-	-	750 523 928	765 538 097	-	15 014 169	102 %	103 %
Total expenditure	(730 986 503)	(5 066 704)	(736 053 207)	-	-	(736 053 207)	(753 150 010)	-	(17 096 803)	102 %	103 %
Surplus/(Deficit)	**12 687 073**	**1 783 648**	**14 470 721**	**-**		**14 470 721**	**12 388 087**		**(2 082 634)**	**86 %**	**98 %**
Transfers recognised - capital	82 965 000	(970 000)	81 995 000	-		81 995 000	67 342 726		(14 652 274)	82 %	81 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	7 174 127		7 174 127	DIV/0 %	DIV/0 %
Surplus/(Deficit)	12 687 073	1 783 648	14 470 721	-	-	14 470 721	12 388 087	-	(2 082 634)	86 %	98 %
Capital transfers and contributions	82 965 000	(970 000)	81 995 000	-	-	81 995 000	74 516 853	-	(7 478 147)	91 %	90 %
Surplus (Deficit) after capital transfers and contributions	**95 652 073**	**813 648**	**96 465 721**	**-**		**96 465 721**	**86 904 940**		**(9 560 781)**	**90 %**	**91 %**
Surplus (Deficit) after capital transfers and contributions	95 652 073	813 648	96 465 721	-	-	96 465 721	86 904 940	-	(9 560 781)	90 %	91 %
Surplus/(Deficit) for the year	**95 652 073**	**813 648**	**96 465 721**	**-**		**96 465 721**	**86 904 940**		**(9 560 781)**	**90 %**	**91 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	95 562 925	860 000	96 422 925	-		96 422 925	-		(96 422 925)	- %	- %
Sources of capital funds											
Transfers recognised - capital	78 685 000	(370 000)	78 315 000	-		78 315 000	-		(78 315 000)	- %	- %
Internally generated funds	16 877 925	1 230 000	18 107 925	-		18 107 925	-		(18 107 925)	- %	- %
Total sources of capital funds	**95 562 925**	**860 000**	**96 422 925**	**-**		**96 422 925**	**-**		**(96 422 925)**	**- %**	**- %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post Employment health care benefits

The present value of the post employment health care obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post health care obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

Other key assumptions for employment health care obligations are based on current market conditions. Additional information is disclosed in Note 7.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- All property held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment porperties.
- Land hold without determined future use.

The nature OR type of properties classified as held for strategic purposes are as follows:

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure	Straight line	
• Roads and paving		10-30 years
• Electricity		20-30 years
• Water		15-20 years
• Sewerage		15-20 years
• Landfill site		4 years

Accounting Policies

1.4 Property, plant and equipment (continued)

Community	Straight line	
• Buildings		30 years
• Recreational facilities		20-30 years
• Security		5 years
Other property, plant and equipment	Straight line	
• Buildings		30 years
• Specialist vehicles		20 years
• Other vehicles		5 years
• Furniture and fittings		7 years
• Bins and containers		5 years
• Office equipment		3-7 years
• Library books		5-25 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from estimates, the change is accounted for a a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 years
Servitudes	Straight line	indefinite

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1.7 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and Other Receivables	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial Liabilities	Financial liability measured at amortised cost
Trade and other Payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.13 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

1.13 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A contingent asset is a possible asset that arises from past events, and whose exiestence will be confirmed only by the occurence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:
- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the entity; or
- • a present obligation that arises from past events but is not recognised because:
  - it is not probable that an out flow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

Debt impairment is calculated as follows:

- all residential debts which are 90 days and above will be provided for at 100% of the outstanding amount;
- all residential debt which are above 60 days and below 90 days will be provided for at 10% of the outstanding amount;
- residential debt below 60 days will not be provided for; and
- no provision will be made for outstanding government, business and agricultural debt.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Accounting Policies

1.16 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Fines are impaired based on the "average collection" rate in the previous 2 financial years.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- Expenditure not buggeted for or, overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure(GRAP 24) when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.Budget information is presented on the accrual basis and is based on the same period as the actual amount, 1 July 2017 to 30 June 2018.

Explanations for the diferrences between the final budget and the actual amounts are included in Note 54.

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Accounting Policies

1.24 Unspent Conditional Grants and Receipts

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

3. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	272 932 984	(79 671 804)	193 261 180	267 951 499	(68 557 547)	199 393 952

Reconciliation of investment property - 2018

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Other changes, movements**	**Depreciation**	**Total**
Investment property	199 393 952	5 596 140	(358 125)	614 653	(614 655)	(11 370 785)	193 261 18

Reconciliation of investment property - 2017

	Opening balance	**Other changes, movements**	**Depreciation**	**Total**
Investment property	210 150 082	614 655	(11 370 785)	199 393 952

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	173 147 559	-	173 147 559	173 147 559	-	173 147 559
Plant and machinery	1 574 593	(859 501)	715 092	1 087 397	(739 115)	348 282
Furniture and fixtures	12 954 893	(9 205 758)	3 749 135	10 961 396	(8 360 679)	2 600 717
Motor vehicles	26 432 495	(17 800 043)	8 632 452	26 432 495	(16 182 189)	10 250 306
Office equipment	4 374 405	(2 897 023)	1 477 382	3 421 730	(2 341 869)	1 079 861
Infrastructure	514 464 472	(172 097 320)	342 367 152	634 565 711	(314 503 947)	320 061 764
Community	137 441 102	(77 537 897)	59 903 205	138 052 089	(74 147 527)	63 904 562
Capital work in progress	47 333 361	-	47 333 361	34 842 576	-	34 842 576
Library books	18 642 711	(11 182 228)	7 460 483	13 827 240	(9 346 862)	4 480 378
Work in progress - Library books	-	-	-	4 114 774	-	4 114 774
Total	**936 365 591**	**(291 579 770)**	**644 785 821**	**1 040 452 967**	**(425 622 188)**	**614 830 779**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	173 147 559	-	-	-	-	-	-	-	173 147 559
Plant and machinery	348 282	487 196	-	-	-	-	(120 386)	-	715 092
Furniture and fixtures	2 600 717	1 699 565	-	293 931	-	-	(845 078)	-	3 749 135
Motor vehicles	10 250 306	-	-	-	-	(929)	(1 616 925)	-	8 632 452
Office equipment	1 079 861	952 675	-	-	-	-	(555 154)	-	1 477 382
Infrastructure	320 061 764	33 840 107	(425 918)	4 768 039	-	-	(15 611 260)	(265 580)	342 367 152
Community	63 904 562	1 496 832	(1 981 881)	2 990 254	-	-	(5 603 854)	(902 708)	59 903 205
Capital work in progress	34 842 576	20 778 553	-	-	(8 287 768)	-	-	-	47 333 361
Library books	4 480 378	700 696	-	-	-	4 114 775	(1 835 366)	-	7 460 483
Work in progress - Library books	4 114 774	-	-	-	-	(4 114 774)	-	-	-
	614 830 779	**59 955 624**	**(2 407 799)**	**8 052 224**	**(8 287 768)**	**(928)**	**(26 188 023)**	**(1 168 288)**	**644 785 821**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	173 147 559	-	-	-	-	173 147 559
Plant and machinery	317 259	118 755	-	-	(87 732)	348 282
Furniture and fixtures	2 670 466	734 824	-	-	(804 573)	2 600 717
Motor vehicles	10 865 550	1 291 842	-	(208 392)	(1 698 694)	10 250 306
Office equipment	1 178 452	415 126	-	-	(513 717)	1 079 861
Infrastructure	301 356 210	-	(82 046)	33 524 327	(14 736 727)	320 061 764
Community	69 457 970	-	-	(274 514)	(5 278 894)	63 904 562
Capital work in progress	37 802 524	30 289 864	-	(33 249 812)	-	34 842 576
Library books	5 946 160	-	-	-	(1 465 782)	4 480 378
Work in progress - Library books	2 390 523	1 724 251	-	-	-	4 114 774
	605 132 673	**34 574 662**	**(82 046)**	**(208 391)**	**(24 586 119)**	**614 830 779**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and Maintenance	23 757 998	19 261 039

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	6 897 124	(6 237 080)	660 044	7 175 086	(3 799 263)	3 375 823
Servitudes	2 616 832	-	2 616 832	-	-	-
Total	**9 513 956**	**(6 237 080)**	**3 276 876**	**7 175 086**	**(3 799 263)**	**3 375 823**

Reconciliation of intangible assets - 2018

	Opening balance	**Additions**	**Other changes, movements**	**Amortisation**	**Total**
Computer software, other	3 375 823	265 928	(2 616 831)	(364 876)	660 044
Servitudes Rights	-	-	2 616 832	-	2 616 832
	3 375 823	**265 928**	**1**	**(364 876)**	**3 276 876**

Reconciliation of intangible assets - 2017

	Opening balance	**Transfers**	**Amortisation**	**Total**
Computer software, other	3 745 964	208 392	(578 533)	3 375 823

6. Heritage assets

	2018			2017		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	4 662 664	-	4 662 664	4 662 664	-	4 662 664

Reconciliation of heritage assets 2018

	Opening balance	**Total**
Historical monuments	4 662 664	4 662 664

Reconciliation of heritage assets 2017

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

6. Heritage assets (continued)

	Opening balance	Disposals	Total
Historical monuments	4 820 366	(157 702)	4 662 664

7. Employee benefit obligations

Defined benefit plan

The One Pangaea Financial (OPF) compiled a valaution report on Lesedi post emploment health care liability as at 30 June 2018.

Post retirement medical aid plan

On 08 July 2004 EXCO adopted the following SALGA Human Resources Policy Decision in respect of Post-Retirement Medical Aid Subsidies. An employee who retires from employment with an employer and who, immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by his or her medical scheme contributions, will continue to recieve a subsidy calculated as follows. .
For an employee 55 years or older on 1 July 2003 are subject to 60% subsidy to a maximum amount of the norm, of the cost of his or her medical scheme contributions. For an employee 50 years or older on 1 July 2003 are subject to 50% subsidy to a maximum amount of the norm, of the cost of his or her medical scheme contributions. The active employees are only eligible if they were 50 years of age before 1 July 2003.
All employees in the employ with local authority or with a municipal entity as contemplated in the Municipal Structures Act, who are not covered by the provisions of the above , will not be entitled to the subsidy of his or her medical aid after the retirement with effect from 1 July 2003. Exco further determined the new implementation date to be 01 January 2005 for consideration of all employees. In the case of early retirement by an employee qualifying for the above, a medical aid subsidy will be approved in terms of the SALGA policy subject to 25 years continuous service with council.

Summary of membership date:

Reason	**Number**	**Average Age**
Continuation members	35	71.85

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(24 229 597)	(52 549 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	52 549 000	54 390 000
Net expense recognised in the statement of financial performance	(28 319 000)	(1 841 000)
	24 230 000	**52 549 000**

Net expense recognised in the statement of financial performance

Current service cost	1 425 000	1 801 000
Interest cost	5 144 000	5 194 000
Actuarial (gains) losses	(32 645 000)	(6 980 000)
Settlement	(2 243 000)	(1 856 000)
	(28 319 000)	**(1 841 000)**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(32 645 000)	(6 980 000)

Figures in Rand	2018	2017

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,87 %	9,92 %
Proportion of employees opting for early retirement	- %	- %
Expected increase in healthcare costs	8,13 %	8,28 %
Future changes in maximum state healthcare benefits	8,13 %	8,28 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the interest cost	2 325 000	2 252 000
Effect on defined benefit obligation	22 376 000	26 369 000

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	24 230 000	52 549 000	54 390 000	51 121 000	36 800 000
Experience adjustments on plan liabilities	-	-	-	547 000	-

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

8. Inventories

Consumables:	4 356 540	3 323 662
Water	565 400	246 956
	4 921 940	**3 570 618**

9. Receivables from exchange transactions

Deposits	594 252	594 252
Accrued interest	316 445	108 080
Other debtors	1 584 402	930 866
	2 495 099	**1 633 198**

10. Receivables from non-exchange transactions

Fines	10 081 464	4 968 125
Accrued income	2 264 990	2 409 311
	12 346 454	**7 377 436**

Reconcilitation for fines is shown in note 55.

Figures in Rand	2018	2017

11. VAT receivable

12. Trading service and customer service debtors

	2018	2017
Gross balances		
Rates	68 247 000	60 184 308
Electricity	146 210 764	134 863 841
Water	171 085 518	157 629 099
Waste water management	45 901 935	42 748 775
Waste management	65 723 798	63 505 568
VAT	53 039 610	52 178 277
Other	62 806 901	53 453 574
	613 015 526	**564 563 442**
Less: Allowance for impairment		
Rates	(41 208 148)	(38 947 534)
Electricity	(115 396 823)	(105 431 004)
Water	(153 103 723)	(142 190 193)
Waste water management	(40 535 279)	(37 550 231)
Waste management	(60 019 242)	(57 508 879)
VAT	(46 958 365)	(43 975 499)
Other	(33 658 155)	(27 782 976)
	(490 879 735)	**(453 386 316)**
Net balance		
Rates	27 038 852	21 236 774
Electricity	30 813 941	29 432 837
Water	17 981 795	15 438 906
Waste water management	5 366 656	5 198 544
Waste management	5 704 556	5 996 689
VAT	6 081 245	8 202 778
Other	29 148 746	25 670 598
	122 135 791	**111 177 126**
Included in above is receivables from exchange transactions		
Electricity	30 813 941	29 432 837
Water	17 981 795	15 438 906
Sewerage	5 366 656	5 198 544
Refuse	5 704 556	5 996 689
VAT	(46 097 032)	(43 975 499)
Other	29 148 746	25 670 598
	42 918 662	**37 762 075**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	27 038 852	21 236 774
Net balance	**69 957 514**	**58 998 849**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Trading service and customer service debtors (continued)

Rates		
Current (0 -30 days)	10 295 657	6 674 752
31 - 60 days	1 970 293	2 417 806
61 - 90 days	751 870	1 847 589
91 - 120 days	703 882	648 050
121 - 365 days	13 258 097	4 084 296
> 365 days	59 053	5 564 281
	27 038 852	**21 236 774**

Electricity		
Current (0 -30 days)	21 531 780	14 704 819
31 - 60 days	3 095 103	4 880 207
61 - 90 days	283 736	3 704 996
91 - 120 days	317 044	415 879
121 - 365 days	5 586 278	2 312 373
> 365 days	-	3 414 563
	30 813 941	**29 432 837**

Water		
Current (0 -30 days)	9 449 656	2 963 502
31 - 60 days	4 022 741	4 454 371
61 - 90 days	111 201	3 955 097
91 - 120 days	129 586	210 617
121 - 365 days	4 268 611	1 228 661
> 365 days	-	2 626 658
	17 981 795	**15 438 906**

Waste water management		
Current (0 -30 days)	3 235 721	1 917 265
31 - 60 days	1 044 534	1 238 928
61 - 90 days	39 524	1 047 722
91 - 120 days	39 157	41 345
121 - 365 days	1 007 720	290 232
> 365 days	-	663 052
	5 366 656	**5 198 544**

Waste management		
Current (0 -30 days)	3 703 311	2 395 396
31 - 60 days	1 240 231	1 653 315
61 - 90 days	34 382	1 383 429
91 - 120 days	30 034	31 809
121 - 365 days	605 359	192 633
> 365 days	91 239	340 107
	5 704 556	**5 996 689**

VAT		
Current (0 -30 days)	3 317 128	4 759 781
31 - 60 days	1 217 323	1 536 002
61 - 90 days	59 806	1 298 020
91 - 120 days	66 147	92 560
121 - 365 days	1 420 841	516 415
	6 081 245	**8 202 778**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Trading service and customer service debtors (continued)

Merchandising, jobbing and contarcts		
Current (0 -30 days)	2 514 147	6 322 686
31 - 60 days	810 142	4 312 829
61 - 90 days	152 550	4 228 773
91 - 120 days	148 860	4 473 678
121 - 365 days	25 523 047	5 232 275
> 365 days	-	1 100 357
	29 148 746	**25 670 598**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(453 386 316)	(362 519 301)
Contributions to allowance	(106 539 189)	(105 917 730)
Debt impairment written off against allowance	69 045 770	15 050 715
	(490 879 735)	**(453 386 316)**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand: Petty cash/floats	478 123	607 207
Cash at bank: Bank Accounts	14 012 617	1 897 923
Call deposits and investments	32 816 002	8 809 821
	47 306 742	**11 314 951**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK - Main Cheque Acc	3 464 596	832 529	2 274 860	3 717 134	1 366 132	792 832
ABSA BANK - Cheque Account	778 886	174 921	75 957	778 886	174 921	75 957
ABSA BANK - Call Account	32 816 019	6 723 495	11 746 236	32 816 019	6 723 495	11 746 236
Investec BANK - Call Account	9 769 134	2 976 799	890 473	9 769 134	2 976 799	890 473
Total	**46 828 635**	**10 707 744**	**14 987 526**	**47 081 173**	**11 241 347**	**13 505 498**

14. Unspent conditional grants and receipts

Monetary allocations

National government		
Government grants (operating) 6 - Libraries plan	(450)	-
Government grant (operating) 8 - Provincial clinics	(440 684)	(440 684)
Government grant (operating) 12 - District health	(1 824 307)	(1 968 627)
Government grant (operating) 17 - BKB grant	27 371	26 043
Government grant (operating) 19 - Department of Public Service and Administration	-	900 000
Government grant (capital) 2 - Integrated National Electrification Programme Grant	1 925 323	-
Government grant - Water Services Infrastucture Grant	7 316 494	-
Government grant (capital) 6 - Recapitalization of Community Libraries Grant	2 572 457	156 550
Government grant (capital) 11 - NLDTF/Lotto	-	1 328
Government grant (operating) - Moneys receivable	2 264 990	2 409 311
	11 841 194	**1 083 921**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	1 083 921	3 906 551
Additions during the year	194 094 304	141 676 560
Income recognition during the year	(185 632 021)	(146 878 501)
Transfer to Payable	30 000	(30 000)
Reversal to debtor reconciliation	2 264 990	2 409 311
	11 841 194	**1 083 921**

Net grants movement reconciliation		
Receivables from non-exchange transactions	(2 264 990)	(2 409 311)
Unspent conditional grant rollovers	12 094 718	2 377 445
	9 829 728	**(31 866)**

See note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Financial liabilities

At amortised cost		
Borrowings: DBSA	54 965 722	58 637 488

The municipality has various loans with the DBSA with periods ranging from 12 to 20 years. The interest rates are fixed and range from 5% to 14.24%.

Refer to appendix A for details on loans.

Non-current liabilities		
At amortised cost	50 955 308	54 965 721

Current liabilities		
At amortised cost	4 010 414	3 671 767

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	9 020 106	280 525	-	35 371	9 336 002
Provision for 13th cheque	3 906 171	128 922	-	-	4 035 093
Provision for leave pay	12 792 215	-	(5 074 124)	-	7 718 091
	25 718 492	**409 447**	**(5 074 124)**	**35 371**	**21 089 186**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	8 566 098	-	-	454 008	9 020 106
Provision for 13th cheque	3 732 484	4 079 081	(3 905 394)	-	3 906 171
Provision for leave pay	11 112 791	4 205 030	(2 525 606)	-	12 792 215
	23 411 373	**8 284 111**	**(6 431 000)**	**454 008**	**25 718 492**

	2018	2017
Non-current liabilities	8 997 105	8 739 581
Current liabilities	12 092 081	16 978 911
	21 089 186	**25 718 492**

17. Trade and other payables from exchange transactions

	2018	2017
Payables and accruals	68 775 646	67 943 842
Advance payments	19 701 626	15 197 298
Retentions	3 947 316	4 182 246
Accrued bonus	3 483 056	3 131 935
Deposits received	4 828 103	472 710
	100 735 747	**90 928 031**

18. VAT payable

	2018	2017
Tax refunds payables	48 544 771	42 760 583

19. Consumer deposits

	2018	2017
All services	10 740 910	10 740 910

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Revenue

Service charges	424 388 208	437 756 801
Rental of facilities and equipment	5 220 542	4 779 828
Licences and permits	42 026	64 822
Administration and management fees received	2 649 920	1 705 799
Recoveries	61 626	3 227 234
Other income	230 556	490 508
Interest received	26 041 396	15 178 827
Property rates	106 472 601	96 106 256
Government grants & subsidies	185 266 541	146 878 500
Public contributions and donations	7 174 127	-
Fines, Penalties and Forfeits	49 862 407	37 383 845
	807 409 950	**743 572 420**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	424 388 208	437 756 801
Rental of facilities and equipment	5 220 542	4 779 828
Licences and permits	42 026	64 822
Administration and management fees received	2 649 920	1 705 799
Recoveries	61 626	3 227 234
Other income	230 556	490 508
Interest received	26 041 396	15 178 827
	458 634 274	**463 203 819**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	106 472 601	96 106 256
Transfer revenue		
Government grants & subsidies	185 266 541	146 878 500
Public contributions and donations	7 174 127	-
Fines, Penalties and Forfeits	49 862 407	37 383 845
	348 775 676	**280 368 601**

21. Service charges

Sale of electricity	273 423 071	282 094 199
Sale of water	97 319 813	97 642 471
Sewerage and sanitation charges	25 047 396	25 454 850
Refuse removal	27 420 382	31 369 007
Other service charges	1 177 546	1 196 274
	424 388 208	**437 756 801**

22. Rental of facilities and equipment

Premises		
Premises	1 968 226	2 027 059
Facilities and equipment		
Rental of facilities	3 089 882	2 602 091
Rental of equipment	162 434	150 678
	3 252 316	**2 752 769**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Rental of facilities and equipment (continued)

Premises	1 968 226	2 027 059
Garages and parking	-	-
Facilities and equipment	3 252 316	2 752 769
	5 220 542	**4 779 828**

Included in the above rentals are operating lease rentals at straight-lined amounts of R - (2017: R -) as well as contingent rentals of R - (2017: R -).

23. Other revenue

Administration and management fees received - third party	2 649 920	1 705 799
Insurance recoveries	61 626	624 963
Other recoveries	-	2 602 271
Other income	230 556	490 508
	2 942 102	**5 423 541**

24. Other income

Abnormal loads	29 165	5 547
Fire services	11 074	3 758
Sale of stands	-	295 614
Photocopy charges	-	33 680
Sundries	190 317	151 909
	230 556	**490 508**

25. Investment revenue

Interest revenue		
Bank	4 487 548	-
Interest charged on trade and other receivables	21 553 848	15 178 827
	26 041 396	**15 178 827**
	-	-
	26 041 396	15 178 827

26. Property rates

Rates received

Assessment Rates	131 393 147	122 507 945
Less: Income forgone	(24 920 546)	(26 401 689)
	106 472 601	**96 106 256**

Valuations (R '000)

Residential	5 976 244	6 594 053
Commercial	1 615 586	1 751 826
State	677 728	676 028
Municipal	149 616	298 880
Small holdings and farms	1 794 302	1 867 802
	10 213 476	**11 188 589**

Valuations on land and buildings are performed every 4 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.General valuation is to be implemented in 30 June 2019 as per the ordinary meeting of council resolution held on 30 November 2017.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies

Operating grants		
Equitable share	104 923 000	92 186 000
Government grant (operating) 1 - Finance Management Grant	1 550 000	1 475 000
Government grant (operating) 3 - Expanded Public Works Program Grant	1 324 000	1 238 000
Government grant (operating) 6 - Libraries plan	3 300 000	500 011
Government grant (operating) 8 - Provincial clinics	-	14 516
Government grant (operating) 10 - Department of Human Settlements	-	5 665 669
Government grant (operating) 12 - District health	3 301 815	3 653 168
Government grant (operating) 14 - Expanded Public Works Program (Cogta)	500 000	500 000
Government grant (operating) 16 - GRAP 17 Compliance Grant	500 000	1 000 000
Government grant (operating) 18 - LG Seta	-	204 507
Government grant (operating) 19 - Department of Public Service and Administration	2 525 000	175 000
	117 923 815	**106 611 871**

Capital grants		
Government grant (capital) 1 - Municipal Infrastructure Grant	36 873 000	21 404 000
Government grant (capital) 2 - Integrated National Electrification Program	5 874 677	7 490 590
Government grant (capital) 3 - Energy Efficiency & Demand side Management Grant	6 000 000	-
Government grant (capital) 4 - Water Services Infrastructure Grant	12 683 506	-
Government grant (capital) 6 - Recapitalization of Community Libraries Grant	5 911 543	10 622 811
Government grant (capital) 11 - NLDTF/Lotto	-	501 244
Government grant (capital) 13 - BKB grant	-	247 984
	67 342 726	**40 266 629**
	117 923 815	106 611 871
	67 342 726	40 266 629
	185 266 541	**146 878 500**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	80 429 407	54 692 488
Unconditional grants received	104 923 000	92 186 000
	185 352 407	**146 878 488**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer's account, of R 434 (2017: R 416-), which is approved annually by council.

Government grant (operating) 1 - Finance Management Grant

Current-year receipts	1 550 000	1 475 000
Conditions met - transferred to revenue	(1 550 000)	(1 475 000)
	-	-

Government grant (operating) 3 - Expanded Public Works Program Grant

Current-year receipts	1 324 000	1 238 000
Conditions met - transferred to revenue	(1 324 000)	(1 238 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

Government grant (operating) 6 - Libraries plan

Current-year receipts	3 113 000	500 000
Conditions met - transferred to revenue	(3 300 000)	(500 000)
Opening Balance - Transfer from Recap of Community Libraries Grant & Other	156 550	-
Transfer from Grant paid	30 000	-
	(450)	**-**

Government grant (operating) 8 - Provincial clinics

Balance unspent at beginning of year	(440 684)	(440 684)
Current-year receipts	-	95 928
Conditions met - transferred to revenue	-	(14 516)
Other	-	(81 412)
	(440 684)	**(440 684)**

Conditions still to be met - remain liabilities (see note 14).

Government grant (operating) 10 - Department of Human Settlements

Current-year receipts	-	5 665 669
Conditions met - transferred to revenue	-	(5 665 669)
	-	**-**

Government grant (operating) 12 - District health

Balance unspent at beginning of year	(1 968 627)	(1 968 627)
Current-year receipts	3 785 526	2 988 648
Conditions met - transferred to revenue	(3 641 206)	(3 653 166)
Other	-	664 518
	(1 824 307)	**(1 968 627)**

Conditions still to be met - remain liabilities (see note 14).

Government grant (operating) 14 - Expanded Public Works Program (Cogta)

Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(500 000)	(500 000)
	-	**-**

Government grant (operating) 16 - GRAP 17 Compliance Grant

Current-year receipts	500 000	1 000 000
Conditions met - transferred to revenue	(500 000)	(1 000 000)
	-	**-**

Government grant (operating) 17 - BKB Grant/Lotto

Balance unspent at beginning of year	26 043	26 043
Current-year receipts	-	247 984
Transfer fro capital NLDTF/Lotto/Sedibang	1 328	(247 984)
	27 371	**26 043**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

Government grant (operating) 18 - LG Seta

Current-year receipts	-	204 507
Conditions met - transferred to revenue	-	(204 507)
	-	**-**

Government grant (operating) 19 - Department of Public Service and Administration

Balance unspent at beginning of year	900 000	900 000
Current-year receipts	59 000	1 075 000
Conditions met - transferred to revenue	(959 000)	(175 000)
Other	-	(900 000)
	-	**900 000**

Conditions still to be met - remain liabilities (see note 14).

Government grant (capital) 1 - Municipal Infrastructure Grant

Current-year receipts	36 873 000	21 404 000
Conditions met - transferred to revenue	(36 873 000)	(21 404 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Government grant (capital) 2 - Integrated National Electrification Programme Grant

Current-year receipts	7 800 000	6 000 000
Conditions met - transferred to revenue	(5 874 677)	(7 490 590)
Other	-	1 490 590
	1 925 323	**-**

Government grant (capital) 6 - Recapitalization of Community Libraries Grant

Balance unspent at beginning of year	156 550	156 550
Current-year receipts	8 484 000	9 170 000
Conditions met - transferred to revenue	(5 911 543)	(10 622 812)
Opening Balance -Tranfer to Library Plan & Others	(156 550)	1 452 812
	2 572 457	**156 550**

Conditions still to be met - remain liabilities (see note 14).

Government grant (capital) 7 - Environmental Quality Management Grant

Government grant (capital) 11 - NLDTF/Lotto

Balance unspent at beginning of year	1 328	1 328
Conditions met - transferred to revenue	-	(501 244)
Transfer to Operational BKB grant /NLDT/Lotto	(1 328)	501 244
	-	**1 328**

Conditions still to be met - remain liabilities (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

Government grant (capital) 13 - BKB grant

Conditions met - transferred to revenue	-	(247 984)
Other	-	247 984
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Employee related costs

Basic	98 310 777	90 862 235
Medical aid - company contributions	9 907 175	9 636 087
UIF	844 915	825 963
WCA	1 309 497	2 276 918
SDL	1 354 351	1 103 561
Other payroll levies	46 810	44 259
Leave pay provision charge	(5 074 125)	1 679 424
Pension costs	18 816 091	17 218 911
Leave pay	2 903 850	2 801 605
Group insurance	1 503 596	1 351 007
Overtime payments	10 563 828	9 280 457
Long-service awards	872 999	101 217
13th Cheques	7 881 424	7 182 306
Acting allowances	1 137 191	1 060 314
Car allowance	2 467 979	2 346 139
Housing benefits and allowances	1 266 865	1 296 739
Cellphone allowance	90 898	88 775
Entertainment allowance	840	840
Standby	962 015	563 162
Cleaning allowance	-	240
Tool allowance	930	1 080
Employee cost - EPWP	3 498 094	267 785
	158 666 000	**149 989 024**

Remuneration of municipal manager

Annual Remuneration	-	1 640 430
Car Allowance	-	169 746
Contributions to UIF, Medical and Pension Funds	-	1 190
	-	**1 811 366**

Remuneration of chief finance officer

Annual Remuneration	1 039 452	1 039 452
Car Allowance	260 443	260 443
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	1 301 680	**1 301 680**

Remuneration of executive manager: corporate services

Annual Remuneration	147 000	213 486
Car Allowance	87 000	64 000
Contributions to UIF, Medical and Pension Funds	892	47 561
Housing	345 578	24 000
Other	-	4 000
	580 470	**353 047**

Remuneration of executive manager: community services

Annual Remuneration	845 939	841 530
Car Allowance	252 420	254 597
Contributions to UIF, Medical and Pension Funds	24 331	26 564
	1 122 690	**1 122 691**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Employee related costs (continued)

Remuneration of executive manager: infrastructure services

Annual Remuneration	692 276	692 621
Car Allowance	268 110	269 364
Contributions to UIF, Medical and Pension Funds	162 304	160 706
Other	-	402 474
	1 122 690	**1 525 165**

Remuneration of executive manager: local economic development

Annual Remuneration	749 177	747 733
Car Allowance	164 422	169 505
Contributions to UIF, Medical and Pension Funds	209 109	205 529
	1 122 708	**1 122 767**

29. Remuneration of councillors

Executive Mayor	865 019	815 861
Mayoral Committee Members	3 293 751	-
Speaker	699 533	659 107
Councillors	5 807 762	8 548 922
	10 666 065	**10 023 890**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and the Executive Mayor and the Speaker are provided with secretarial support at the cost of the Council.

The Executive Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Executive Mayor has four full-time bodyguards. The Speaker has two full-time bodyguards.

30. Depreciation and amortisation

Property, plant and equipment	26 187 977	25 164 649
Investment property	11 370 785	11 370 786
Intangible assets	364 876	-
	37 923 638	**36 535 435**

31. Impairment of assets

	1 168 288	-
	-	-

The main classes of assets affected by impairment losses are:

	2017/18
Community assets	902 708,74
Infrastructure	265 580,74

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

32. Finance costs

Non-current borrowings	10 400 260	10 807 523
Fair value adjustments on landfill sites	315 896	454 008
	10 716 156	**11 261 531**

33. Debt impairment

Bad debts written off	144 276 592	139 242 477

34. Bulk purchases

Electricity	213 639 821	213 156 199
Water	57 807 388	54 048 350
	271 447 209	**267 204 549**

35. Contracted services

Other Contractors	67 666 197	76 151 915

36. General expenses

Advertising	376 676	529 093
Auditors remuneration	3 589 566	4 389 037
Bank charges	1 132 743	762 533
Commission paid	3 794 199	1 895 621
Consulting and professional fees	-	164 506
Consumables	931 519	1 455 146
Entertainment	102 311	97 094
Fines and penalties	-	45 103
Insurance	3 457 638	2 770 264
IT expenses	2 619 649	981 971
Fleet	4 175 552	4 428 928
Magazines, books and periodicals	403 576	197 898
Pest control	-	63 365
Fuel and oil	63 428	-
Postage and courier	1 000 549	970 772
Protective clothing	547 262	577 827
Software expenses	891 843	11 255
Subscriptions and membership fees	1 821 765	1 707 256
Telephone and fax	2 652 789	2 463 237
Transport and freight	1 700	-
Training	389 399	448 476
Travel - local	345 045	589 213
Assets expensed	23 891	55 794
Indigents	-	10 245 635
Materials	10 256 696	1 868 507
Other expenses	1 230 206	1 542 151
	39 808 002	**38 260 682**

37. Auditors' remuneration

Fees	3 589 566	4 389 037

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. Taxation

The municipality is exempt from income tax in terms of the Income Tax Act (Act No. 58 of 1962) Section 10(1)(a).

39. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

	2018	2017
Operating lease charges		
Motor vehicles		
• Contractual amounts	198 000	234 000
Equipment		
• Contractual amounts	783 266	1 096 415
	981 266	**1 330 415**

	2018	2017
Loss on sale of property, plant and equipment	(4 221 331)	(239 748)
Loss on sale of investment property	(358 125)	-
Impairment on property, plant and equipment	1 168 288	-
Amortisation on intangible assets	364 876	-
Depreciation on property, plant and equipment	26 187 977	25 164 649
Depreciation on investment property	11 370 785	11 370 786
Employee costs	174 582 303	167 249 630

40. Cash generated from operations

	2018	2017
Surplus	86 904 940	8 106 153
Adjustments for:		
Depreciation and amortisation	37 923 638	36 535 435
Gain on sale of assets and liabilities	4 579 456	239 748
Impairment deficit	1 168 288	-
Debt impairment	144 276 592	139 242 477
Movements in retirement benefit assets and liabilities	(28 319 403)	(1 841 000)
Movements in provisions	(4 629 306)	2 307 119
Other non-cash items	(354 680)	29 875
Other non-cash items	-	(1)
Changes in working capital:		
Inventories	(1 351 322)	(756 269)
Receivables from exchange transactions	(861 901)	2 428 278
Consumer debtors	(155 235 257)	(159 355 552)
Other receivables from non-exchange transactions	(4 969 018)	1 316 772
Payables from exchange transactions	9 807 716	(17 357 503)
VAT	5 784 188	24 713 883
Unspent conditional grants and receipts	10 757 273	(2 822 630)
Consumer deposits	-	1 177 090
	105 481 204	**33 963 875**

41. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	2 178 654	2 178 654
Other receivables from non-exchange transactions	-	4 968 125	4 968 125

Notes to the Annual Financial Statements

Figures in Rand		2018	2017

41. Financial instruments disclosure (continued)

Consumer debtors	-	107 450 933	107 450 933
Cash and cash equivalents	11 208 652	-	11 208 652
Vat Receivable	-	2 961 384	2 961 384
	11 208 652	**117 559 096**	**128 767 748**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	54 965 724	54 965 724
Trade and other payables from exchange transactions	92 040 751	92 040 751
Consumer deposits	10 470 910	10 470 910
	157 477 385	**157 477 385**

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	2 238 825	2 238 825
Other receivables from non-exchange transactions	-	9 462 386	9 462 386
Consumer debtors	-	117 245 580	117 245 580
Cash and cash equivalents	10 709 324	-	10 709 324
	10 709 324	**128 946 791**	**139 656 115**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	58 637 488	58 637 488
Trade and other payables from exchange transactions	90 957 903	90 957 903
Taxes and transfers payable (non-exchange)	1 083 921	1 083 921
Consumer Deposits	10 740 910	10 740 910
VATpayable	42 148 935	42 148 935
	203 569 157	**203 569 157**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	59 257 117	37 015 885
Total capital commitments		
Already contracted for but not provided for	59 257 117	37 015 885

Authorised operational expenditure

Already contracted for but not provided for		
• Consulting and Professional fees	1 720 250	6 241 107
• Contracted Services	38 149 882	9 503 724
	39 870 132	**15 744 831**
Total operational commitments		
Already contracted for but not provided for	39 870 132	15 744 831

Total commitments

Total commitments		
Authorised capital expenditure	59 257 117	37 015 885
Authorised operational expenditure	39 870 132	15 744 831
	99 127 249	**52 760 716**

This committed capital expenditure relates to plant and equipment and will be financed by the recapitalisation of libraries grant, the integrated national electrification grant and funds internally generated.

This committed expenditure consists of the following:

1. Onke Consulting (Pty) Ltd	R 330 309
2. Nkanyezi Energy Management	R 15 637 842
3. Scip Engineering Group	R 2 777 340
4. Nevhutalu Consulting	R 697 546
5. Mgcobi-Tecino JV	R 159 821
6. Magic Labour Hire & Security Services	R 17 284 008
7. Magic Labour Hire & Security Services	R 20 593 533
8.Waroad Consrcution	R 1 776 718

This committed operational expenditure relates to general expenditure and will be financed by funds internally generated.

This committed expenditure consists of the following:

1. Payday Software System (Pty) Ltd	R 261 190
2. Black Balance Projects (Pty) Ltd	R 1 720 250
3. Heios Investment (Pty) Ltd	R13 396 488
4. Nerm Applications and Testing (Pty) Ltd	R 719 805
5. i@Consulting	R 6 413 881
6. Bidvest Steiner	R 201 344
7.Fidelity Cash Solutions	R 1 149 642
8.Vukayibambe Trading Enterprise	R 667 968
9.Pambili Documents Solutions	R 3 128 037
10.. Thembridge Support Services	R12 211 527

43. Contingencies

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Litigation is in process against the municipality by a supplier whose contract was terminated. The amount of the claim is R1 233 792.00.

Litigation is in process against the municipality by a supplier whose contract was terminated. The amount of the claim is R1,120 000.

Litigation is in process against the municipality by a supplier whose contract was terminated. The amount of the claim is R2 634 291.35.

Litigation is in process against the municipality by the supplier whose contract was terminated. The amount of the claim is R3 140 466.97.

Contingent assets

Subsequent to an internal investigation in respect litigation report, abitration proceedings have commenced for the contractual dispute. Attorney's have contacted each other to appoint the Abitrator. Value claimed by the Municipality amount to R2 500 000.00.

44. Related parties

Relationships	
Accounting Officer	T P Mpele
Close family member of key management	None
Members of key management	G Mncube(Acting CFO) G Thimane (HOD Corporate Services) J Marwa (Executive Manager Development) C Mokoena (Executive Mananger Community Services)

45. Prior period errors

Investment Property
Investment property had to be restated due to assets found during the verification process that were not previously in the asset register and were understated.

Property,Plant Equipment
Property, plant and equipment had to be restated due to assets found during the verification process that were not previously in the asset register. Furniture and Fixtures, Motor Vehicles and Computer Equipment were overstated

Infrastructure
Infrastructure had to be restated due to ommision in the fixed asset register in the prior year and were understated.

Community Assets
Community Assets had to be restated due to ommision in the fixed asset register in the prior year and were understated.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Investment Property	-	614 654
Property,Plant and Equipment	-	(182 192)
Infrastructure	-	3 861 879
Community Assets	-	4 984 484
Property,Plant and Equipment - Accumulated Depreciation and Amortisation	-	162 524
Investment - Accumulated Depreciation	-	(614 654)
Infrastucture - Accumulated Depreciation	-	(1 363 371)
Community Assets - Accumulated Depreciation	-	(3 006 540)
Opening Accumulated Surplus or Deficit -Property,Plant and Equipment	-	8 389 784

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

46. Comparative figures

Certain comparative figures have been reclassified due the the mSCOA segment reporting which came into effect on 1 July 2017.

The effects of the reclassification are as follows:

Statement of financial position		
Receivables	674 336	-
Vat Receivable	(10 029 343)	-
Consumer Debtors	52 178 277	-
Payables from Exchange	(674 336)	-
Vat Payable	(42 148 934)	-
Provision - Current	11 112 791	171 322
Provision - Non Current	(11 112 791)	(171 322)
	-	-

Statement of financial performance		
Adminstration and management fees	76 150	343 309
Other Income	76 187	(343 309)
Recoveries	(150 818)	-
Rental of Facilities and Equipment	(1 513)	-
Employee Related Costs	1 699 360	-
Lease Rentals on operating lease	(1 330 415)	-
Collection costs	245 913	-
Repairs and Maintenance	19 416 977	-
Bulk Purchases	9 895 132	-
Contracted Services	(75 310 047)	-
General Expenses	45 383 072	-
	(2)	**-**

47. Risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

47. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Current Account (ABSA)	3 464 596	832 529
Current Account (ABSA)	778 886	174 921
Call Account (ABSA)	32 816 019	6 723 495
Call Account (INVESTEC)	9 769 134	2 976 799
Trade and Other Receivables from exchange transactions	2 539 361	958 862
Other Receivables from Non-Exchange transactions	10 081 464	7 377 436
Consumer Debtors	104 468 067	111 177 126

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

48. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 763 045 432 and that the municipality's total liabilities exceed its assets by R 763 045 432.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

49. Unauthorised expenditure

Opening Balance	149 518 734	122 177 174
Unauthorised expenditure	12 516 437	27 341 560
	162 035 171	**149 518 734**

50. Fruitless and wasteful expenditure

Opening Balance	12 580 962	8 665 985
Fruitless and wasteful expenditure	290 825	3 914 977
	12 871 787	**12 580 962**

Fruitless and wasteful expenditure consists of penalties and interest on late payments to Eskom and Rand Water.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

51. Irregular expenditure

Opening balance	163 356 575	126 080 480
Irregular Expenditure - current year	8 883 641	37 278 095
	172 240 216	**163 358 575**

Analysis of expenditure awaiting condonation per age classification

Current year	8 883 641	37 278 095
Prior years	163 356 575	126 080 480
	172 240 216	**163 358 575**

52. In-kind donations and assistance

The municipality received the following in-kind donations and assistance:
The Sports Trust completed the construction of a multipurpose sport court in Ratanda Community Hall, Heidelberg.
The Gauteng Province (Sports, Arts, Culture and Recreation) donated Furnture to the Community Service.

53. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	3 587 584	4 389 037
Amount paid - current year	(3 587 584)	(4 389 037)
	-	-

PAYE and UIF

Current year subscription / fee	24 217 453	20 552 267
Amount paid - current year	(24 217 453)	(20 552 267)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	27 298 266	25 752 669
Amount paid - current year	(27 298 266)	(25 752 669)
	-	-

VAT

VAT payable	48 544 771	42 760 583

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors and Employees had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Boshoff M	55	-	55
Lukhele M	2 246	-	2 246
Skosana MM	2 980	27 659	30 639
	5 281	**27 659**	**32 940**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Sabasa JM	2 944	397	3 341
Malefela M	962	255	1 217
Nyembe TP	1 287	32 651	33 938
Lukhele M	2 206	6 033	8 239
Abdulla AZ	4 007	15 356	19 363
	11 406	**54 692**	**66 098**

54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Below procurements were noted, procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are:

Reason	Number	Value
Emergency [S36 (1)(a)(i)]	8 Companies	R 217 821.37
Sole supplier [S36 (1)(a)(ii)]	17 Companies	R 375 350.39
Impractical to follow SCM [S36 (1)(a)(v)]	63 Companies	R 1 024 636.17

55. Reconcilation of traffic fines

Traffic Fines		
Gross amount	138 451 507	98 511 542
Impairement	(128 370 043)	(91 458 467)
	10 081 464	**7 053 075**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

56. Unaccounted water and electricity

Distribution loss amounts		
Electricity	27 621 685	20 460 206
Water	12 576 625	11 544 106
	40 198 310	**32 004 312**

Distribution loss percentage		
Electricity	16	13
Water	19	19
	-	**-**

Distribution losses for electricity is reported after taking into account acceptable network losses of 5.2% (R8 572 961.47) and own use of 21.57% (R2 595 395,08).

Distribution losses for water is reported after taking into account acceptable network losses of 5.54% (R3 610 579,79) and own use of 1.0% (R 652 221,06)

57. Budget differences

Material differences between budget and actual amounts

Explanation for variances between budget and actuals:

Statement of financial performance
1. Service charges - Variance is due to lower consumption of services which is often infuenced by weather conditions, more rain less water demand, higher temperatures less electricity consumption.
2. Rental of facilities and equipment - Differences due to demand was higher, more faclities were rented out especially community halls and municipal flats.
3. Interest received - The interest received increased collerates with lesser payment of services by consumers, higherdebt impairment amount compared to previous year.Higher unemployment rate realised at Lesedi contributes to the impasse..
4. Property Rates - Higher property rates charged due to increase in value of valuation roll and new properties billed, also suplementary valuation do contribute.
5. Government Gransts and Subsidies - INEP , The Human Settlement department could not build houses as planned and this had inverse impact on housing electrification.Library books tender was non responsive and had to be readvertised, On library grants service providers were appointed but however goods were not yet delivered.
7. Depreciation - The variance on deprecaition is as a result of the assessment of the asset register and physical verification of municipal assets.
8. Finance costs - Slightly increased due to a reassessment of the employee benefits and landfill site, other financial liabiities
9. Debt impairment - The variance is due to lower than anticipated debtor's collection rate and traffic fines impairment..
10.Bulk Purchases - The variance is due to reduced maintenance taking place as a result of cash constraints and sourcing of goods and services at reduced rates.
11. Bulk purchases - The variance is due to Eskom winter tariffs.
12. Transfers and subsidies - Transfers received from the Department of Human Settlements for acquiring of containerized mobile dewatering plant for ERWAT.
13. General expenses - Variance is due to cost containment measures undertaken due to cash constraints.

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
R13 Ratanda electricity - 9,45% fixed	102187	15 years	2 057 107	-	445 384	1 611 723	-	-
R14 Electrical upgrade - 9,59% fixed	102986_1	20 years	15 812 788	-	862 221	14 950 567	-	-
R15 Electrical upgrade - 5% fixed	102986_2	20 years	9 350 950	-	656 153	8 694 797	-	-
R16 Vehicle - 11,87% fixed	6100956	12 years	4 535 215	-	362 863	4 172 352	-	-
R17 Infrastructure - 6,75% fixed	6100955	20 years	2 674 150	-	133 998	2 540 152	-	-
R18 Other - 14,24% fixed	6100954	20 years	2 516 376	-	140 475	2 375 901	-	-
R19 Electrical infrastructure - 12% fixed	61006830	20 years	7 053 128	-	200 130	6 852 998	-	-
R20 Electrical upgrade - 6,75% fixed	61006831	20 years	11 010 388	-	469 341	10 541 047	-	-
R21 Roads and stormwater - 11,65% fixed	61006809	12 years	3 627 387	-	401 200	3 226 187	-	-
			58 637 489	**-**	**3 671 765**	**54 965 724**	**-**	**-**
Total external loans								
Development Bank of South Africa			58 637 489	-	3 671 765	54 965 724	-	-
			58 637 489	**-**	**3 671 765**	**54 965 724**	**-**	**-**